

Message Text

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TO AMEMBASSY TOKYO PRIORITY

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E.O. 11652: N/A

TAGS:ETRD, EIND, JA

SUBJECT: TRADE FACILITATION COMMITTEE CASE: AEROQUIP
CORPORATION

1. SUMMARY: USDOC INVESTIGATING POTENTIAL TFC CASE ON BE-
HALF OF AEROQUIP CORP. IN CONNECTION WITH ALLEGED RESTRIC-
TIONS BY GOJ AFFECTING SALES OF U.S. NUCLEAR POWER PLANT
COMPONENTS. EMBASSY IS REQUESTED TO CONTACT AEROQUIP'S
JAPANESE AGENT TO ASSIST IN DEVELOPING FURTHER BACKGROUND
ON CASE.(END SUMMARY)

2. AEROQUIP CORPORATION, GUSTIN-BACON DIVISION, OF LAW-
RENCE, KANSAS MANUFACTURES BALL JOINTS USED IN RELIEF
VALVES FOR BOILING WATER REACTORS IN NUCLEAR POWER PLANTS.
AEROQUIP IS ATTEMPTING TO ENTER JAPANESE MARKET WITH ITS
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"NUCLEAR BARCO BALL JOINT" AND HAS APPOINTED TOYO JOINT INC.
OF TOKYO AS ITS DISTRIBUTOR. AEROQUIP WAS ADVISED BY TOYO
JOINT, BY LETTER DATED JULY 7, 1978, THAT THE "JAPANESE
ELECTRIC AUTHORITY" HAD ESTABLISHED RESTRICTIONS REGARDING
PURCHASING BALL JOINTS REQUIRING THAT, (QUOTE) 1) THE SUP-
PLIER SHALL HAVE A COMPLETE AFTER SERVICE FACILITY AND
CAPABILITY IN JAPAN, AND 2) THAT THE SUPPLIER SHALL HAVE A

COMPLETE QUALITY CONTROL SYSTEM IN JAPAN... SO THAT ITEMS CAN BE CHECKED AT EACH STAGE OF WORK AND EACH UNIT. (END QUOTE) ADDITIONALLY, ACCORDING TO TOYO JOINT, PURCHASING STANDARDS FOR NUCLEAR POWER STATIONS ARE ALSO BEING FORMULATED. ACCORDING TO TOYO JOINT THE STRICT APPLICATION OF THE ABOVE REQUIREMENTS AND STANDARDS WOULD SERVE TO EXCLUDE FOREIGN PRODUCTS FROM THE JAPANESE MARKET.

3. IT UNCLEAR FROM TOYO JOINT'S LETTER WHETHER BY "JAPANESE ELECTRICAL AUTHORITY" THEY MEAN MITI'S NATURAL RESOURCES AND ENERGY AGENCY, THE POWER REACTOR AND NUCLEAR FUEL DEVELOPMENT AGENCY, OR THE JAPAN ATOMIC POWER COMPANY, AND ALSO IF THE RESTRICTION TO WHICH THEY REFER REPRESENT WRITTEN REGULATIONS OR "ADMINISTRATIVE GUIDANCE" , SOURCE OF PROPOSED STANDARDS ALSO UNCLEAR. HOWEVER, AEROQUIP BELIEVES THAT CONSIDERING THE STRINGENT U.S. STANDARDS TO WHICH THEIR PRODUCTS ARE BUILT, THEIR HIGH RELIABILITY PERFORMANCE RECORD, AND THE LIMITED (ALTHOUGH ATTRACTIVE) MARKET IN JAPAN, THERE IS LITTLE

JUSTIFICATION FOR THE ESTABLISHMENT OF QUALITY CONTROL AND EXTENSIVE REPAIR FACILITIES IN JAPAN. AEROQUIP BELIEVES THAT THE RESTRICTIONS ARE AN EFFORT TO EXCLUDE FOREIGN SUPPLIERS.

4. CONTACTS IN JAPAN ARE: (A) TOYO JOINT, PRESIDENT,
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MR. NEMOTO, SECOND SHINWA BLDG., NO. 10-14, 2 CHOME, AKASAKA, MINTO-KU, TOKYO, TEL. 583-9411. HE HAS BEEN ALERTED TO EXPECT EMBASSY CONTACT; (B) MR. A. YAMANAKA OF YOKOHAMA AEROQUIP CO., AN AMERICAN EMPLOYEE OF AEROQUIP WHO IS GENERALLY KNOWLEDGABLE OF AEROQUIP'S EFFORTS TO MARKET BALL JOINTS, AND MAY BE CONTACTED ON (0463) 23-0331.

5. ACTION REQUIRED: REQUEST POST CONTACT ABOVE INDIVIDUALS TO CLARIFY FACTS IN THIS CASE AND ADVISE WHETHER OR NOT THERE APPEARS TO BE A BASIS FOR TFC CONSIDERATION. CHRISTOPHER

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